

Message Text

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ACTION IO-14

INFO OCT-01 EUR-12 ISO-00 IOE-00 EB-08 AID-05 AF-10
ARA-14 EA-12 NEA-10 STR-06 COME-00 LAB-04 OES-07
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UNIDO

E.O. 11652: N/A

TAGS: EAID, EAGR, ECEM, UNIDO

SUBJECT: UNIDO REQUEST FOR US EXPERT TO PARTICIPATE IN
WORKING GROUP ON CONTRACTS AND INSURANCE FOR
FERTILIZER PLANTS, VIENNA, FEBRUARY 14-17, 1978

1. IN FOLLOWUP TO UNIDO FIRST CONSULTATION MEETING ON
FERTILIZERS (JANUARY 1977), UNIDO IS CONVENING WORKING
GROUP ON CONTRACTS AND INSURANCE FOR CONSTRUCTION AND OPER-
ATION OF FERTILIZER PLANTS AND HAS INVITED USG TO NOMIN-
ATE AN EXPERT TO PARTICIPATE.

2. ACCORDING TO UNIDO LETTER DATED DECEMBER 30, 1977 (BUT
JUST RECEIVED BY MISSION), FOLLOWING IS RATIONALE AND OB-
JECTIVE OF MEETING:

QTE CONTRACTS BETWEEN THE SUPPLIER AND BUYER OF FERTI-
LIZER PLANTS AND COMMERCIAL INSURANCE PRACTICE WERE DIS-
CUSSED AT A UNIDO TECHNICAL SEMINAR HELD IN LAHORE,
PAKISTAN FROM 25-29 NOVEMBER 1977. THIS SEMINAR SHOWED
(A) THAT CONTRACTS IN USE AT PRESENT GENERALLY DO NOT
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COVER CONSEQUENTIAL LOSSES AND (B) THAT INSURANCE COVER
FOR CONSEQUENTIAL LOSSES (BUSINESS INTERRUPTION) RE-
SULTING FROM PLANT OR MACHINERY BREAKDOWN IS GENERALLY
ONLY AVAILABLE SOME TIME AFTER THE PLANT HAS SUCCESS-
FULLY PASSED ITS COMMISSIONING TEST.

THIS WORKING GROUP MEETING WILL THEREFORE FIRST TAKE

STOCK OF EXISTING CONTRACT PRACTICES AND HOW THEY MIGHT BE IMPROVED IN WAYS ACCEPTABLE TO BOTH PARTIES. IT WILL THEN CONSIDER WAYS TO IMPROVE INSURANCE COVERAGE FOR THOSE FERTILIZER AND OTHER CHEMICAL PROCESS PLANTS, HOPEFULLY FEW IN NUMBER, WHICH NEVERTHELESS PERFORM BADLY AS A RESULT OF DEFECTS IN DESIGN OR EQUIPMENT. IN THIS CONNECTION, ALTERNATIVE TYPES OF A MULTILATERAL INSURANCE SCHEME SUPPORTED BY GOVERNMENTS WILL BE CONSIDERED.

YOU MAY FURTHER RECALL THAT THE INDUSTRIAL DEVELOPMENT BOARD AT ITS ELEVENTH SESSION TOOK NOTE THAT SUCH INSURANCE ARRANGEMENTS TO BE CONSIDERED FOR FERTILIZER PLANTS MIGHT BE RECOMMENDED BY CONSULTATIONS ON OTHER INDUSTRIAL SECTORS (ID/B/193, PARAGRAPH 178). THUS, THE EXAMPLE OF FERTILIZER PLANTS CONSIDERED AT THIS MEETING WILL ENABLE UNIDO TO GIVE PRELIMINARY CONSIDERATION TO THE TYPES OF CONTRACTS AND BROADER INSURANCE COVER THAT WOULD HELP TO ENSURE THE SUCCESSFUL ESTABLISHMENT OF INDUSTRIAL PLANTS IN DEVELOPING COUNTRIES.

UNIDO IS PLEASED TO INVITE YOUR COUNTRY TO NOMINATE AN EXPERT ON THIS TOPIC TO ATTEND THE MEETING, BEARING IN MIND, HOWEVER, THAT THE INDUSTRIAL DEVELOPMENT BOARD HAS RECOMMENDED THAT THE COSTS OF ATTENDANCE BE BORNE BY THE PARTICIPANTS. UNQTE.
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3. IN INFORMAL CONVERSATION WITH UNIDO OFFICER RESPONSIBLE FOR ORGANIZATION OF MEETING (RICHARD LINE-UK), IT BECAME CLEAR THAT UNIDO FORESEES NEED FOR EVENTUAL FOCUS BY GOVERNMENTS ON QUESTION OF INSURANCE COVERAGE FOR CONSEQUENTIAL LOSSES. LINE THEREFORE SUGGESTED THAT US PARTICIPANT MIGHT MOST APPROPRIATELY BE DRAWN FROM EXIM BANK STAFF. OTHER OPTIONS, IN DESCENDING ORDER OF DESIRABILITY, WOULD BE MAJOR US INSURANCE BROKER (SUCH AS MARSHALL, MCCLELLAN OF NEW YORK CITY) OR MAJOR EQUIPMENT SUPPLIER, SUCH AS KELLOGG/PULLMAN.

4. MISSION SUGGESTS DEPARTMENT ATTEMPT TO IDENTIFY SUITABLE US EXPERT WILLING TO ATTEND MEETING AND, IF SUCCESSFUL, ADVISE US SOONEST OF NAME, POSITION AND ADDRESS. (UNIDO HAS ASKED FOR REPLY NO LATER THAN JANUARY 31.)
NOTE: COST OF ATTENDANCE MUST BE BORNE BY PARTICIPANTS.

5. COPY OF UNIDO LETTER AND RELATED DOCUMENTS BEING SENT TO IO/DHP/STEINER VIA INTERNATIONAL AIRMAIL. LEARY

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